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7 BEFORE THE OFFICE OF THE INSURANCE COMMISSIONER  
8 OF THE STATE OF WASHINGTON

9 No. G 02-45

10 In the Matter of the Application regarding the  
11 Conversion and Acquisition of Control of  
Premera Blue Cross and its Affiliates.

SPECIAL MASTER’S ORDER ON  
INTERVENERS’ AND OIC STAFF’S  
OBJECTIONS TO PREMERA’S “AEO”  
AND “CONFIDENTIAL” DESIGNATIONS  
OF OIC STAFF’S CONSULTANTS’  
SUPPLEMENTAL REPORTS

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16 This matter comes before me on Interveners’ and OIC Staff’s March 11 and 12, 2004,  
17 objections to Premera’s March 5, 2004, proposed redactions of the OIC Staff’s consultants’  
18 supplemental reports. I have considered such objections, as well as Premera’s March 19, 2004,  
19 response.

20 The following matrix identifies the portions of the supplemental reports at issue and sets  
21 forth my rulings, which are based on the statutes and orders discussed in previous rulings.

22 Where the “Rulings” column indicates “withdrawn,” Premera has withdrawn its former objection  
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1 to disclosure, and the referenced passage shall be disclosed. Where the Rulings column indicates  
2 “disclose,” I have overruled Premera’s objection to disclosure, and the referenced passage shall  
3 be disclosed. Where the rulings column indicates “sustained,” I have sustained Premera’s  
4 proposed redaction.

5 Rulings sustaining Premera’s proposed redactions are without prejudice to later  
6 disclosure of the reacted material if 1) the Commissioner determines under RCW 48.31C.130  
7 that such disclosure is appropriate; 2) such material or related material is demonstrated to have  
8 been made public (see Paragraph 6(b), Protective Order); or 3) for other good cause shown.

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12 Dated this 23rd day of March, 2004

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15 George Finkle  
16 Superior Court Judge, Retired  
17 Special Master  
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1. Supplemental Report of Cantillo & Bennett, L.L.P (February 27, 2004)

Objection/ Page	Description	Ruling
<b>Columbia Legal Services</b>		
1/38	E & Y opinion	Disclose. Interveners and OIC Staff assert that the Special Master has previously ordered the disclosure of the information contained in the passage at issue, which relates to the Ernst & Young opinion regarding post-conversion tax treatment under IRC Sec. 833(b). ( <i>See</i> Special Master's Order On Objections To Premera's "AEO" and "Confidential" Designations at 23, 5-1 and 5-5.) Premera notes that such previous rulings concerned E & Y opinions related to whether the conversion would be treated as a series of tax-free transactions or should cause Premera to undergo an "ownership change" for federal income tax purposes. My Order at 5-4 did relate to the strength of the E & Y opinion on "material change of structure" under IRC Sec. 833(b). Another previous ruling related to this issue, at 23, 5-17, sustained Premera's proposed redaction because the passage there at issue detailed the possible prospective tax impact of the conversion under Sec 833(b) and disclosed Premera's intentions related to an issue that may well result in IRS litigation. The present passage, which relates to the strength of the E & C opinion, is analogous to 5-4, and does not disclose significant proprietary data or trade secrets.
2/39	Id.	Disclose. See Ruling re #1, above.
3/87	Id.	Disclose. See Ruling re #1, above.
<b>OIC Staff</b>		
4/38	All	Disclose. See Ruling re #1, above.
5/39	Fourth line of first paragraph	Disclose. See Ruling re #1, above.
6/87		Disclose. See Ruling re #1, above.

2. Economic Impact Analysis of the Proposed Conversion of Premera Blue Cross for the State of Washington, Report Addendum

Objection/Page	Ruling
<b>Columbia Legal Services</b>	
7/Page 3 – <b>Growth Potential Bullet 2</b>	Withdrawn.
8/Page 5 – <b>Product Mix and Profitability</b> The current allocation of [costs to ASC contracts] Consequently, Premera may be required to [continue to subsidize its ASC business].	Withdrawn.
<b>OIC Staff</b>	
9/Page 3 -“Growth Potential” Second Bullet	Withdrawn.
10/Page 5-“Product Mix and Profitability” 3 <sup>rd</sup> line	Withdrawn.
11/Page 5- “Product Mix and Profitability” 4 <sup>th</sup> - 9 <sup>th</sup> lines	Withdrawn.
12/Page 7-All	Withdrawn.

3. Report to the Washington State Office of Insurance Commissioner on Tax Matters in Connection with the Proposed Conversion of Premera, Report Addendum.

Objection/Page	Description	Ruling
<b>Columbia Legal Services</b>		
13/3	E & Y opinion	Disclose. See Ruling #1, above.
14/3	Id.	Disclose. See Ruling #1, above.
<b>OIC Staff</b>		
15/3	All	Disclose. See Ruling #1, above.

4. PriceWaterhouseCoopers, Premera's Executive Compensation Review, Summary of Issues – Resolved or Pending, Report Addendum

Objection/Page	Description	Ruling
<b>Columbia Legal Services</b>		
16/4	5) Deferred Compensation, second column – “Participants receive a [ ] match...”; “A [ ] match is high...”  (both redactions)	Withdrawn.
<b>OIC Staff</b>		
17/5	Item 5	Withdrawn.
18/	Item 7	Withdrawn.

5. Blackstone Group Report

Objection/Page	Description	Ruling
<b>OIC Staff</b>		
19/32	Premera Actual and Budgeted Financial Performance Table	Sustained, as to 2003 “Budget” and “Variance” columns. OIC Staff asserts that the data contained in the 2003 columns are not appropriate for redaction as the numbers are now a matter of public record contained in the Five Year Historical Data page of Premera's Annual Statements filed on March 1, 2004. The passage at issue, however, references Premera's <i>Budget</i> 2003 figures, which, Premera represents, cannot be found in Premera's annual statements or in any other public filing. My review of Premera's March 1, 2004 filing is consistent with this representation.

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		<p>Release of the projections would provide Premera’s competitors with significant understanding of its approaches to financial planning and with insight into its ability to achieve financial targets. The information in the passage at issue related to 2003 Budget and to variance of Actual results from Budget constitutes significant proprietary data and trade secrets. (See also, “Special Master’s Order on OIC Staff’s Objections to Premera’s Proposed Redactions to Blackstone Group’s Report Regarding Allocation,” at 2-1.)</p> <p>Disclose 2003 Actual Column, which is an early version of data included in Premera’s March 1, 2004 filing.</p> <p>Withdrawn, as to the data contained in the 2004 columns.</p>
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